

**COUNTY OF MILWAUKEE**  
**Inter-Office Communication**

**Date:** September 1, 2009  
**To:** Supervisor Elizabeth M. Coggs, Chairwoman, Committee on Finance and Audit  
**From:** Scott Manske, Controller, Department of Administrative Services  
Steve Cady, Fiscal & Budget Analyst, County Board Staff  
Jerome J. Heer, Director of Audits ✓  
**Subject:** Uniform Professional Services Billing Standards [File No. 09-142]

**Background**

County Board Resolution 09-142 created a Workgroup, comprised of appropriate staff from the County Board, Department of Audit and Department of Administrative Services, to examine current professional services billing requirements and activity reports, and to make recommendations to provide more uniform standards and improve accountability of the information provided to the County from its professional consultants.

**Analysis**

County Ordinance section 56.30 governs professional services contracts awarded by Milwaukee County. Administrative Manual Section 1.13 outlines the process for encumbering a professional services contract with the Department of Administrative Services. As noted in File 09-142, neither address uniform invoicing standards. The only guidance that is provided is in *Appendix B* of Administrative Manual Section 1.13. *Appendix B* is a suggested format for professional service contracts. It notes that the contract should include the names, positions, estimated hours and billing rates for contractor's employees and indicates that this type of information is particularly important when the services of specific employees are essential to perform the tasks being contracted for. *Appendix B* also contains the following sections on compensation, billing and reports.

5. COMPENSATION

Contractor shall be compensated for work performed on an hourly basis at the billing rates listed in section 2 of this Contract. Any out-of-pocket expenses shall not exceed \$\_\_\_\_\_. The total compensation to Contractor for services performed under the Contract shall not exceed \$\_\_\_\_\_ unless agreed to by County in writing. State Prompt Pay Law, Section 66.285, does not apply to this Contract. As a matter of practice, the County attempts to pay all invoices in 30 days. If no disputes arise, and the invoice has not been paid 60 days after it was received by the County, the contractor may file a claim for \_\_\_\_% (annual rate) on amounts not paid after the 60<sup>th</sup> day. \_\_\_\_\_percent (%) of each billing will be retained by County and paid upon Contractor's satisfactory completion of all terms of the Contract.

6. BILLING

Contractor shall provide County with monthly billings, which shall include, but not be limited to, the following:

- A. Name of employee
- B. Dates and hours worked
- C. General task performed

- D. Detail of out-of-pocket expenses, indicating their purpose such as telephone, travel, hotel, graphic reproduction, postage, etc., for these expenditures provided for in the Contract.

7. REPORTS (Optional)

Contractor shall provide written progress reports to County on a (weekly, biweekly, monthly, quarterly basis). At the completion of the Contract, Contractor shall provide (number) copies of the final report. This Contract provides for Contractor to make (number) oral presentations concerning the final report at times selected by County.

While the guidance in the Administrative Manual has been valuable over the years, it does not clearly address the wide variety of structures used in contracting with professional services vendors. The sample language in the Manual relates to arrangements based on an hourly billing rate up to a not-to-exceed limit and contains optional language if a report is to be provided as part of the contract. This type of structure lends itself to a fairly straightforward type of invoice.

However, in practice, Milwaukee County has also entered into contracts that are based on other measures of service. Examples include:

- Lump sum contracts (e.g., investment service fees based on size of portfolio, airport Homeowners Protection Program);
- Payments for a service regardless of the hours worked (e.g., inmate x-ray and EKG services and genetic tests paid per procedure to establish child support liability);
- A combination of fixed rent and hourly service (e.g. the Court's Day Reporting Center); and
- A formula driven share of net receipts (e.g. airport parking).

It is understood that most vendors have an automated billing system that generates invoices on a monthly or other standard billing cycle. The County, as a client of the vendor, should understand how the standard invoice would appear. Any additional information desired by the County, beyond the standard invoice should be spelled out in the contract language and provided by the vendor prior to payment occurring. Additional information may include copies of travel receipts, subcontractor invoices, or billings for outside services. For services provided by the vendor, the County department that contracts should understand the billing rates used for internal charges. Internal charges may include the production of reports, telephone charges, or use of vendor equipment.

Regarding the guidance provided by the Administrative Manual, audit recommendation no. 9 in *An Audit of Professional Service Contracting (December 2008)* bears repeating:

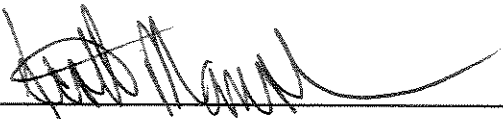
"The Department of Administrative Services should continue in its efforts to provide County Management and staff with on-line access to the most current version of the entire Administrative Manual, and promote the availability of the on-line Manual among County administrators upon completion."

### Conclusion and Recommendation

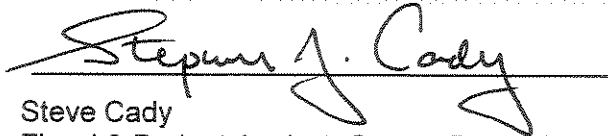
The variety and types of professional services contracts used in Milwaukee County does not lend itself to one standard invoice format. This does not, however, mean that standards are unnecessary. Rather, because of the diverse nature of professional services contracts, it is appropriate to ensure that invoices reflect a consistently high standard of documentation of services provided.

The Administrative Manual Section 1.13 should be modified to provide required data to be provided in an invoice. The sample contract should be modified to include more information on additional types of charges for services. Additional types of charges would include unit costs for piecework, travel costs, subcontractor billings, and internal vendor services.

To further achieve a measure of accountability, Chapter 56.30 should be amended, and Administrative Manual Section 1.13 should be revised, to require that the foundation and mechanism for billing for any professional service must be included in both Requests for Proposals and in contracts, and that any invoice for payment must be made in accordance with contract requirements. The modifications to Chapter 56.30, regarding billing, will have to be general in nature, since professional services contracts and services, as noted above, can vary.



Scott Manske, Controller, Department of Administrative Services



Steve Cady  
Fiscal & Budget Analyst, County Board Staff



Jerome J. Heer  
Director of Audits

SM/SC/JJH/cah

cc: Members, Committee on Finance and Audit  
Supervisor Lee Holloway, Chairman, Milwaukee County Board of Supervisors  
Scott Walker, Milwaukee County Executive  
Cynthia Archer, Director, Department of Administrative Services  
Terrence Cooley, Chief of Staff, County Board Staff  
Steven Kreklow, Fiscal and Budget Director, DAS  
Delores Hervey, Chief Committee Clerk, County Board Staff

**A RESOLUTION/ORDINANCE**

To amend Section 56.30 (5)(b) and create Section 56.30 (6)(g) of the General Ordinances of Milwaukee County regarding professional services

WHEREAS, File No. 09-142 was approved March 19, 2009, (vote 19-0) authorizing the development of a workgroup to examine current professional services billing requirements, activity reports, payment sign-off procedures and make recommendations to provide more uniform standards and improve accountability of the information provided to the County from its professional consultants; and

WHEREAS, the Professional Services Billing Standards Workgroup ("Workgroup"), comprised of staff representatives from the County Board, Department of Audit and Department of Administrative Services, issued a report dated September 1, 2009; and

WHEREAS, the Workgroup acknowledged in their report that the wide variety of professional service contracts within the County, including those based on billable hours, services performed (e.g. inmate x-ray and EKG services), combination of fixed rent and hourly service (e.g. Court's Day Reporting Center) and formula driven share of net receipts (e.g. airport parking), make it difficult to create a standardized professional services billing invoice; and

WHEREAS, the Workgroup recommends that the Milwaukee County General Ordinances (Chapter 56.30) and the Administrative Manual (Section 1.13) be amended "to require that the foundation and mechanism for billing for any professional service be included in both Requests for Proposals (RFP's) and in contracts, and that any invoice for payment must be made in accordance with the final contract;" and

WHEREAS, at its meeting on September 17, 2009, the Committee on Finance and Audit reviewed the subject report and approved the recommended modifications to the Milwaukee County General Ordinances and Administrative Manual (vote X to X); now, therefore,

BE IT RESOLVED, that the Department of Administrative Services is hereby authorized and directed to modify the Milwaukee County Administrative Manual, Section 1.13 and its appendices, to require that the foundation and mechanism for billing for any professional service be included in both Requests for Proposals (RFP's) and in contracts, and that any invoice for payment must be made in accordance with the final contract; and

46 BE IT FURTHER RESOLVED, that the Milwaukee County Board of Supervisors  
47 hereby amends Chapter 56 of the Milwaukee County Code of General Ordinances by  
48 adopting the following:

49  
50 AN ORDINANCE

51  
52 The Milwaukee County Board of Supervisors ordains as follows:

53  
54 SECTION 1. Section 56.30 (5)(b) of the General Ordinances of Milwaukee County as  
55 amended to and including \_\_\_\_\_ is hereby amended as follows:

56  
57 (5) *Request for proposal.*

58 (b) *Content.* The request for proposal shall contain the evaluation criteria which will  
59 be used to select the successful contractor. The relative importance of each of these  
60 items will depend to some degree on specific services being sought. It is essential that  
61 the RFP enumerate the evaluation criteria which will be used to select the successful  
62 contractor. The RFP shall also include the foundation and mechanism for billing for  
63 any professional service.

64  
65 SECTION 2. Section 56.30 (6)(g) of the General Ordinances of Milwaukee County is  
66 hereby created as follows:

67  
68 (g) All contracts shall include the foundation and mechanism for billing for any  
69 professional service provided under the agreement.

70  
71 SECTION 3. This ordinance shall become effective upon passage and publication.  
72

# MILWAUKEE COUNTY FISCAL NOTE FORM

DATE: 9/2/09

Original Fiscal Note ☒

Substitute Fiscal Note ☐

SUBJECT: A resolution/ordinance to amend Section 56.30 (5)(b) and create Section 56.30 (6)(g) of the General Ordinances of Milwaukee County regarding professional services

## FISCAL EFFECT:

☒ No Direct County Fiscal Impact

☒ Existing Staff Time Required

☐ Increase Operating Expenditures  
(If checked, check one of two boxes below)

☐ Absorbed Within Agency's Budget

☐ Not Absorbed Within Agency's Budget

☐ Decrease Operating Expenditures

☐ Increase Operating Revenues

☐ Decrease Operating Revenues

☐ Increase Capital Expenditures

☐ Decrease Capital Expenditures

☐ Increase Capital Revenues

☐ Decrease Capital Revenues

☐ Use of contingent funds

Indicate below the dollar change from budget for any submission that is projected to result in increased/decreased expenditures or revenues in the current year.

	Expenditure or Revenue Category	Current Year	Subsequent Year
Operating Budget	Expenditure	0	0
	Revenue	0	0
	Net Cost	0	0
Capital Improvement Budget	Expenditure	0	0
	Revenue	0	0
	Net Cost	0	0

## DESCRIPTION OF FISCAL EFFECT

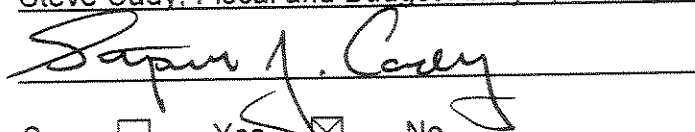
In the space below, you must provide the following information. Attach additional pages if necessary.

- A. Briefly describe the nature of the action that is being requested or proposed, and the new or changed conditions that would occur if the request or proposal were adopted.
- B. State the direct costs, savings or anticipated revenues associated with the requested or proposed action in the current budget year and how those were calculated.<sup>1</sup> If annualized or subsequent year fiscal impacts are substantially different from current year impacts, then those shall be stated as well. In addition, cite any one-time costs associated with the action, the source of any new or additional revenues (e.g. State, Federal, user fee or private donation), the use of contingent funds, and/or the use of budgeted appropriations due to surpluses or change in purpose required to fund the requested action.
- C. Discuss the budgetary impacts associated with the proposed action in the current year. A statement that sufficient funds are budgeted should be justified with information regarding the amount of budgeted appropriations in the relevant account and whether that amount is sufficient to offset the cost of the requested action. If relevant, discussion of budgetary impacts in subsequent years also shall be discussed. Subsequent year fiscal impacts shall be noted for the entire period in which the requested or proposed action would be implemented when it is reasonable to do so (i.e. a five-year lease agreement shall specify the costs/savings for each of the five years in question). Otherwise, impacts associated with the existing and subsequent budget years should be cited.
- D. Describe any assumptions or interpretations that were utilized to provide the information on this form.

Approval of this resolution/ordinance will require an expenditure of staff time to update the Administrative Manual and the Milwaukee County General Ordinances. It will not require an expenditure of funds.

Department/Prepared By Steve Cady, Fiscal and Budget Analyst, County Board

Authorized Signature



Did DAS-Fiscal Staff Review?

☐

Yes

☒

No

<sup>1</sup> If it is assumed that there is no fiscal impact associated with the requested action, then an explanatory statement that justifies that conclusion shall be provided. If precise impacts cannot be calculated, then an estimate or range should be provided.

